



Economic Impact Analysis Virginia Department of Planning and Budget

2 VAC 20-30 – Rules and Regulations Governing the Pesticide Fees Charged by the Department of Agriculture and Consumer Services Under the Virginia Pesticide Control Act

Department of Agriculture and Consumer Services

May 8, 2003

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Virginia Pesticide Control Board (board) proposes to: 1) delete obsolete language, 2) double both the length of certification periods and the certification fees for commercial applicators and registered technicians, and 3) clarify that adding a category or subcategory to certificates requires payment of a nonrefundable \$35 fee.

Estimated Economic Impact

Under the current regulations, commercial applicator certificates last one year and cost \$35. The board proposes to double both the certification period (to two years) and the certification fee (to \$70). Similarly, the board proposes to double the registered technician certification period from one year to two, and its associated fee from \$15 to \$30. The Department of Agriculture and Consumer Services (department) estimates that it will save

\$10,500 per annum¹ in administrative costs by switching from one-year certifications to two-year certifications.

Commercial applicators and registered technicians who wish to remain certified for both years of the two-year period will send payment to the department totaling \$70 and \$30 per biennium, respectively, under both the current regulations and the proposed regulation. Individuals who wish to be certified for only one year may under the current regulations pay for only one year, but under the proposed regulations must pay for two years. These individuals will end up paying more under the proposed regulations than under the current regulations. For example, say a college student accepts a summer job that involves spraying pesticides. She applies for and obtains registered technician certification. She does not intend to work as a registered technician for more than one summer. Under the current regulations she pays a \$15 fee. Under the proposed regulations she must pay a \$30 fee that covers two years, even though she intends to use the certification for less than a year. According to the department, approximately 3,000 individuals apply for certification as registered technicians each year, while 1,888 apply for certification renewal. These numbers imply that many registered technicians remain certified for only one year. For these individuals the proposed regulations effectively double their fees. Approximately 1,000 individuals apply for certification as commercial applicators each year, while 3,266 apply for certification renewal.² These numbers imply that most commercial applicators remain certified for at least two years.

All applicators and technicians will, every other year, pay fees one year sooner than they do under the current regulations. Paying fees one year sooner, even if it is the same amount, does produce a cost for the certificate holders. For example, those funds could have been held in a savings account or a certificate of deposit earning interest. If we assume that the certificate-holders can earn a five percent return, then certified commercial applicators could have earned \$1.75³ if they paid their \$35 fee one year later and the 6,000 registered technicians could have earned \$0.75⁴ if they paid their \$15 fee one year later. Thus, in essence, requiring that fees be paid one year earlier is equivalent to a small fee increase.

¹ The Department of Agriculture and Consumer Services estimates that it will save \$7,000 in labor costs and \$3,500 in postage per annum.

² Source: Department of Agriculture and Consumer Services

³ Calculation: $\$35 \times 0.05 = \1.75

⁴ Calculation: $\$15 \times 0.05 = \0.75

If we assume that the certificate-holders can earn a five percent return, then the 4,266⁵ certified commercial applicators could have earned a total of \$7,466⁶ if they paid their \$35 fee one year later and the 4,888⁷ registered technicians could have earned a total of \$3,666⁸ if they paid their \$15 fee one year later. That is a total of \$11,132⁹ in lost potential earnings for certificate holders due to paying fees one year earlier. Since the certificate holders pay fees one year early only every other year, the \$11,132 cost would be over two years. The \$11,132 cost is, of course, dependent on the assumption of a five percent return; a higher assumed return would result in cost higher than \$11,132, and a lower assumed return would result in cost lower than \$11,132.

Receiving fees one year earlier, even if it is the same amount, can produce additional revenue for the department. The department may, for example, put the funds in an interest bearing account. If we assume that the department can earn a five percent return, then the department can have \$11,132¹⁰ in additional funds every two years.

In summary, switching from one-year certifications to two-year certifications save the department an estimated \$21,000 per biennium in administration costs and produces a transfer from certificate holders to the department. The loss in potential interest earned by certificate holders and the effective doubling in fees for individuals who only need to be certified for one year or less is all transferred to the department. In sum, this represents an implicit fee increase for pesticide applicator certificates. The department uses its fee revenue to run its programs. Without the administrative cost savings and the implicit fee increase, the department would likely need to find revenue elsewhere.

The department charges \$35 to individuals who after having obtained commercial applicator certification apply to add categories or subcategories to their certificate. The fee is used to pay for administrative costs. The board proposes to add language describing this process.

⁵ Calculation: 1,000 initial applicants + 3,266 renewal applicants = 4,266 certification applicants

⁶ Calculation: $\$35 \times 0.05 \times 4,266 = \$7,466$

⁷ Calculation: 3,000 initial applicants + 1,888 renewal applicants = 4,888 certification applicants

⁸ Calculation: $\$15 \times 0.05 \times 4,888 = \$3,666$

⁹ Calculation: $\$7,466 + \$3,666 = \$11,132$

¹⁰ Same calculations described in footnotes 5 through 9

Businesses and Entities Affected

The proposed regulations affect the approximate 4,266 certified commercial applicators and 4,888 registered technicians certified in the Commonwealth, as well as their employers and customers.

Localities Particularly Affected

The proposed regulatory amendments affect all Virginia localities.

Projected Impact on Employment

The proposed regulatory amendments are unlikely to significantly effect employment. .

Effects on the Use and Value of Private Property

The proposed switch from one-year certifications to two-year certifications effectively produce a small loss in potential interest earned by certificate holders and doubles the fee paid by individuals who only need to be certified for a year or less.